



***Notice of Ex Parte  
Presentation***

November 29, 2012

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Portals II, Room TW-A325  
Washington, DC 20554

Re: *Connect America Fund*, WC Docket No. 10-90, *A National Broadband Plan for Our Future*, GN Docket No. 09-51, *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135, *High-Cost Universal Service Support*, WC Docket No. 05-337, *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45.

Dear Ms. Dortch:

On November 28, 2012 I, along with Roxanne White, Evertek; Don Jennings, Partner Communications; and Dave Duncan, Iowa Telecommunications Association met with Carol Matthey, Alexander Minard, and Ryan Yates of the Wireline Competition Bureau.

The purpose of this meeting was to request clarification on the financial reporting requirements of rate of return carriers addressed in the *Fifth Order of Reconsideration* released on November 16, 2012. During the meeting, we reported that Kiesling Associates performs audits and financial reporting services for approximately 200 rate of return carriers across the country. We discussed how to satisfy the new reporting requirements for audited or reviewed financial statements under scenarios where a subsidiary rate of return carrier is a part of a consolidated audit or review report for which no consolidating supplementary information is provided, or where a subsidiary rate of return carrier a part of a consolidated audit or review report for which consolidating supplementary information is provided.

We also discussed the process for filing operating reports of audited companies whose reports are delayed past July 1 for reasons such as loan waiver requests or other auditor reliance letters. We recommended that carriers be allowed to file a draft operating report until such time as the operating report could become finalized.

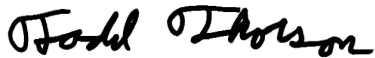
During the meeting, I provided a proposed operating report that could be filed for non-RUS companies. This summarized report includes balance sheets, income statements,

and cash flows as would be included with a normal financial statement report and excludes statistical information such as customer counts and rates.

In addition, I presented updated data from Kiesling Associates showing that the rate of return for 108 Iowa rate of return companies' regulated operations as of 12/31/11 averaged 2.07%, with 45 of those companies having negative rate of return. Likewise, for 96 companies, the average rate of return for the consolidated operations of those companies was 2.59% with 31 having an overall negative rate of return. In addition, I presented data from Telergee showing the declining cash flow to revenues, decreasing Debt Service Coverage ratio and relationship of access revenues to operating revenues.

Consistent with the Commission's rules, this letter is being filed electronically with your office in the above captioned dockets. Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Todd Thorson". The signature is written in a cursive, slightly slanted style.

Todd Thorson, CPA  
Kiesling Associates, LLP

cc: Alex Minard

# OPERATING REPORT FOR PRIVATELY-HELD RATE OF RETURN CARRIERS

Filed pursuant to section 54.313(f)(2) as confidential and proprietary under the protective order rules of the Federal Communications Commission.

INSTRUCTIONS-Submit report by July 1st with the Federal Communications Commission, the Universal Service Administrative Company (USAC), and the relevant state commission, relevant authority in a U.S. Territory, or Tribal governments, as appropriate.

PERIOD ENDING	STUDY AREA CODE
Company	City, State

PART C. STATEMENTS OF CASH FLOWS		
1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)		
CASH FLOWS FROM OPERATING ACTIVITIES		
2. Net Income		
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
3. Add: Depreciation		
4. Add: Amortization		
5. Other (Explain)		
Changes in Operating Assets and Liabilities		
6. Decrease/(Increase) in Accounts Receivable		
7. Decrease/(Increase) in Materials and Inventory		
8. Decrease/(Increase) in Prepayments and Deferred Charges		
9. Decrease/(Increase) in Other Current Assets		
10. Increase/(Decrease) in Accounts Payable		
11. Increase/(Decrease) in Advance Billings & Payments		
12. Increase/(Decrease) in Other Current Liabilities		
13. Net Cash Provided/(Used) by Operations		
CASH FLOWS FROM FINANCING ACTIVITIES		
14. Decrease/(Increase) in Notes Receivable		
15. Increase/(Decrease) in Notes Payable		
16. Increase/(Decrease) in Customer Deposits		
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)		
18. Increase/(Decrease) in Other Liabilities & Deferred Credits		
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital		
20. Less: Payment of Dividends		
21. Less: Patronage Capital Credits Retired		
22. Other (Explain)		
23. Net Cash Provided/(Used) by Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
24. Net Capital Expenditures (Property, Plant & Equipment)		
25. Other Long-Term Investments		
26. Other Noncurrent Assets & Jurisdictional Differences		
27. Other (Explain)		
28. Net Cash Provided/(Used) by Investing Activities		
29. Net Increase/(Decrease) in Cash		
30. Ending Cash		

#### Analysis of Iowa Only Companies

	Regulated Operations Only	Consolidated Operations
Companies	108	96
Average ROR	2.07%	2.59%
Have Negative ROR	45	31
Companies with Long-term Debt(Est.)	80	
RUS Rate of Borrowing	2.20%	

Iowa only information taken from database of telecom companies served by Kiesling Associates LLP, a regional CPA firm specializing in the communications industry.

Rate of Return(ROR) is operating income divided by net operating plant in service.

Rural Utilities Service(RUS) is based on published 20 year rates as of November 26, 2012.

#### Teleree Statistics

	Cashflow to Revenues	Debt Service Coverage Ratio	Have Long Term Debt	Access to Operating Revenues
2007	47.2%	3.04	74.9%	50.8%
2008	39.9%	3.04	79.1%	47.7%
2009	38.3%	2.97	79.5%	45.5%
2010	40.0%	2.49	79.6%	47.5%
2011	39.3%	2.62	80.1%	45.8%

Teleree is an alliance of 7 CPA firms who have specialties in the telecommunications area. Company data is pulled from multiple states and consists of approximately 230 entities of which 25% are Iowa companies.